



State of Wisconsin  
**Department of Health and Family Services**

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Jim Doyle, Governor  
Helene Nelson, Secretary

### ***BadgerCare Plus – Health Insurance for All Kids***

#### Problem Statement

- The number of uninsured children (ages 0-17) in Wisconsin is on the rise.<sup>1</sup>
  - In 2003, an estimated 26,000 children (2% of total) were without health insurance for the entire year. In 2004 the number of uninsured children climbed to 34,000 (3% of total.)
  - In 2003, an estimated 86,000 children (7% of total) were without health insurance for at least part of the year. In 2004, this number rose to 91,000.
- The lack of health insurance falls hardest on children in “near poor” families. 12% of near-poor children – family incomes between 100% - 200% of the poverty line – were uninsured for at least part of the year in 2004. During the same period, 11% of poor children (incomes below the poverty line) were uninsured.<sup>2</sup>
- BadgerCare provides health insurance for families with incomes up to 185% FPL. Families with incomes between 185% and 200% can stay in the program if they enrolled before their incomes rose above the 185% ceiling. This means that an important subset of the near-poor is not eligible for state-funded health insurance.
- Fewer and fewer businesses are offering employer-sponsored health insurance plans to their employees.
  - In 2001, 76% of Wisconsin residents had their health insurance coverage provided by their employers. That number in 2004 was 69%.
  - Over the same time, the number of people on MA and Medicare increased but not enough to prevent a rapid rise in the number of uninsured WI residents.
- The decline of private insurance will lead to increases in the number of uninsured families in Wisconsin unless the health care safety net is expanded and incentives are created to encourage more private insurance.
- During 2004 BadgerCare enrollment declined sharply.<sup>3</sup> Much of this decline has been due to the complexity of the program – in particular the employment verification process. Premiums for near-poor families have also been raised.

#### Policy Solution

- Create a single health care safety net program that merges the family MA, BadgerCare and Healthy Start Programs.<sup>4</sup>
- The new program would be called *BadgerCare Plus* and would provide access to affordable health insurance for all kids.

#### Policy Goals

- Ensure that all children in Wisconsin have access to health insurance.
- Improve the overall health of Wisconsin residents.
- Lower the long-term cost of the MA program.
- Simplify and streamline the family MA/BadgerCare/HealthyStart programs to save millions of dollars and eliminate barriers to enrollment.

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<sup>1</sup> Source: Wisconsin Health Insurance Coverage Survey (2003 and 2004)

<sup>2</sup> In 2004, the “poverty line” for a family of four was \$18,400.

<sup>3</sup> BadgerCare enrollment fell from 114,222 in December 2003 to 97,131 in June 2005.

<sup>4</sup> The combined program will serve approximately 485,000 people. Family MA serves 270,000 (includes AFDC, AFDC-related and Presumptive Eligibility for Pregnant Woman), BadgerCare serves 90,000 and Healthy Start currently serves about 125,000 people.

### Key Proposal Elements

- Create one system of determining eligibility with no asset test, simple forms and utilize audits to protect against fraud and abuse (i.e. replace the EVF program.)<sup>5</sup>
- Redesign the premium and coordination of benefit provisions to enhance simplicity and ensure that wealthier program participants pay their fair share. Premiums would be scaled up with income beginning at 150% FPL.
- Families (adults and children) would be eligible for coverage under this program up to 200% FPL (this expands the number of eligible adults – current ceiling = 185% FPL.)<sup>6</sup>
- All children, regardless of income would be eligible for affordable health care coverage. Higher income families would pay higher premiums.
- *BadgerCare Plus* would also be available for adult caretakers of children with incomes up to 200% FPL. This small group of adults currently falls through the cracks.
- *BadgerCare Plus* would also be available for parents who temporarily lose custody of their children so they can obtain treatment needed to recover their parental rights.
- *BadgerCare Plus* would also contain a completely redesigned Premium Assistance Program which would allow workers to better afford employer-sponsored health insurance.
- Initially, the new program would cover an additional 15,800 children and adults. Over time the program will likely grow.
- All children and families enrolled in the new *BadgerCare Plus* program would be enrolled in an HMO.
  - Families currently receiving MA/BadgerCare services on a fee-for-service basis would be transitioned to HMO's over a two-year period.
  - DHFS would explore ways to create financial incentives for HMO's to enter markets not currently served by managed care organizations.
- Incentives would be created to encourage healthy behavior. HMO contracts will be adjusted to provide performance-based payments to lower smoking rates and to expand dental access.
- Launch an aggressive outreach effort to identify and sign-up all children that are eligible for BadgerCare but not currently enrolled.
- The re-design of BadgerCare comes at a perfect time. The current BadgerCare/SCHIP waiver is set to expire in March 2007 and a dialogue with CMS must begin by March 2006.
- The expansion of the health care safety net under this proposal would be more than adequately funded by the cost savings measures contained in the proposal. See table below:

### **Estimated Costs and Savings**

	<b>SFY08</b>	<b>SFY09</b>
Benefit Cost	\$ 12.5 million	\$ 23.5 million
Administrative Cost	\$ 0.7 million	\$ 0.8 million
<b>Total Cost</b>	<b>\$ 13.2 million</b>	<b>\$ 24.3 million</b>
HMO Expansion Savings	\$ 16.8 million	\$ 22.9 million
State Administrative Savings	\$ 2.5 million	\$ 2.5 million
<b>Total Savings</b>	<b>\$ 19.3 million</b>	<b>\$ 25.4 million</b>
<b>NET COST OF BC PLUS</b>	<b>(\$ 6.1 million)</b>	<b>(\$ 1.1 million)</b>

<sup>5</sup> Simplification could save as much as \$15 million per year. Savings would come in the form of reduced Income Maintenance costs and would be shared between the state and counties. More analysis needed.

<sup>6</sup> Note: Part of the simplification plan will be to use a simpler definition of income. For clarity, the memo refers to the current definition of income.

